

EMPLOYMENT AGREEMENT

(January 1, 2023)

This Employment Agreement (hereafter the "Agreement") is by and between the Essex Regional Retirement System (the "System"), acting by and through the Essex Regional Retirement Board (the "Board"), and Charles E. Kostro, an individual ("Mr. Kostro" or "Executive Director"), together referred to as the Parties.

WHEREAS, the Board has voted to reappoint Mr. Kostro as Executive Director of the System subject to the approval and signing of an employment agreement acceptable to both Parties, and,

WHEREAS, Mr. Kostro has agreed to remain in the position of Executive Director, subject to such an employment agreement,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

1. **Employment.** The Board hereby employs Mr. Kostro as the Executive Director of the System and Mr. Kostro agrees to perform and discharge all duties of the position of Executive Director as those duties are determined by the Board in its discretion from time to time. Those duties shall include the responsibilities and functions set forth in the "Duties of the Executive Director," (attached hereto as Attachment A). The Board reserves the right, in its sole discretion, to amend these responsibilities and functions from time to time.

The Executive Director agrees to devote his/her entire business time, attention and energy to his/her duties hereunder. He shall perform his duties and responsibilities in a professional and competent manner. The Executive Director shall notify the Chair if he shall be engaged in any other commercial business activity during the term of this agreement.

2. **Term.** The term of this Agreement shall be for a period of five years beginning January 1, 2023 and ending December 31, 2027. If the Parties desire to renew, they will endeavor to complete any discussions on such renewal by 180 days in advance of the Agreement's termination, provided, that it is understood that this provision does not create any right or duty for any of the Parties and no extension of this Agreement or its Term is created or implied by this provision.

3. **Compensation.** As compensation for his duties hereunder, the Executive Director shall be compensated effective as of January 1, 2023 at an annual salary of \$158,619.00 less applicable taxes and withholdings, and payable in equal semi-monthly installments. The Executive Director shall be compensated effective as of January 1, 2024 at an annual salary of \$162,584.00 less applicable taxes and withholdings, and payable in equal semi-monthly installments. The Executive Director shall be compensated effective as of January 1, 2025 at an annual salary of \$166,649.00 less applicable taxes and withholdings, and payable in equal semi-monthly installments. The Executive Director shall be compensated effective as of January 1, 2026 at an annual salary of \$170,815.00 less applicable taxes and withholdings, and payable in equal semi-monthly installments. The Executive Director shall be compensated effective as of January 1, 2027 at an annual salary of \$175,085.00 less applicable taxes and withholdings, and payable in equal semi-monthly installments. He shall not be eligible for any other stipends, incentives, or compensation of any kind (*e.g.*, educational incentive or payment for not accepting health insurance) with the exception of payments made pursuant to Section 3.1, and for reimbursement for reasonable and necessary business expenses pursuant to Section 4.4 of this Agreement.

1. **Longevity Payment.** Beginning on January 1, 2023 and on January 1st of every year thereafter for the term of this agreement, the Executive Director shall receive a longevity payment of \$1,000.00. The Board may increase this payment at any time during the term of this agreement by majority vote.
4. **Employee Benefits.** The Executive Director shall be eligible for the following employee benefits.
 1. **Vacation.** The Executive Director will accrue vacation at the rate of 15.63 hours per month. No more than ten days of vacation may be carried forward into a succeeding year. The Executive Director will keep the Board informed on a regular basis on vacation time usage.
 2. **Sick Leave.** The Executive Director will accrue sick leave at the rate of 1.25 days per month which may be accumulated up to a maximum of 150 days. The Executive Director will keep the Board informed on a regular basis on sick leave usage.
 3. **Personal Leave.** The Executive Director shall be entitled to a maximum of three (3) days of personal leave per year, none of which may be carried over to the succeeding year.
 4. **Business Expense Reimbursement.** The Executive Director shall be entitled to reimbursement for, or payment of, legitimate business expenses incurred by the Executive Director, including automobile expenses for authorized travel at the then current Internal Revenue Service approved reimbursement rate, professional association dues, and expenses incurred while attending Board approved educational or professional conferences or seminars. All expense reimbursement must be approved by the Chair and no payment shall be made except upon a vote of the Board. The

Executive Director will provide regular reports to the Board at such intervals that it may direct on business expense reimbursement.

5. **Insurance plans.** The Executive Director shall be entitled to participate in the health, life, dental and vision insurance, and other insurance benefits on the same basis that other System employees participate in such plans.
6. **Holidays.** The Executive Director shall be entitled to the holidays, as allowed to other employees of the System.
7. **Other.** The Executive Director shall not receive any benefits not specifically provided for in this Agreement.

5. Termination.

1. **Death.** This Agreement shall terminate automatically upon the Executive Director's death. Salary and unused accrued vacation, and any and all other payments referred to herein, shall be immediately paid to the Executive Director's spouse or other designated beneficiaries.
2. **Disability.** The Executive Director may be terminated from his/her employment if he/she is unable to perform the essential functions of his/her position with a reasonable accommodation as defined by law. Accrued but unused vacation will be paid upon termination.
3. **Termination by the Board.** The System may only terminate the Executive Director's employment for Cause and only upon proper written notice to the Executive Director of not less than ninety (90) days prior to any termination action by the Board and which notice shall specify the exact nature of the complaint or cause of the formal disciplinary action, and during which period the salary of the Executive Director shall continue to be paid. No later than thirty (30) days prior to the scheduled date for a termination action, the Executive Director may request a formal hearing at which the Executive Director shall have the right to be represented by

counsel and shall have the option of choosing whether or not any such hearing shall be closed to the public or held as an open public hearing. Cause shall include, financial impropriety, insubordination, violation of law or System policies, or failure to meet performance standards as specified in the Executive Director's annual performance review. The Board may designate the chair, or any other member, to coordinate the development of performance standards in consultation with the Executive Director, which standards shall be submitted to the Board for approval. Performance standards shall be established no later than January 31st of each year of this agreement and shall further be established after consultation between the Board and the Executive Director. The performance review process shall include a mid-year evaluation which shall normally be completed on or before July 31st of each year of this agreement and a final review which shall normally be completed on or before December 31st of each year of this agreement. Each evaluation shall normally include comments along with any numerical rating. If the Executive Director is deemed not to meet the performance standards established, he shall be so notified at the time of the mid-year review and shall be provided with a period of not less than thirty (30) days in which to cure any deficiency. Termination of employment for Cause shall terminate this Agreement and the Executive Director will receive payment only for unused accrued vacation or personal time.

4. **Termination by the Executive Director.** At any time during the term of this Agreement, the Executive Director may voluntarily terminate his employment hereunder upon ninety (90) days written notice. However, this requirement may be waived, and sixty (60) days' notice shall be required if a Succession Plan is provided by the Executive Director in which oversight of, and administrative

services to, ERRS during the transitional period shall be provided by the Executive Director. Such Succession Plan shall include compensation, exclusive of unused accrued vacation or personal time, as may be mutually agreed upon by the Executive Director and the ERRS Board for the provision of said services during the transition.

6. **Indemnification.** To the extent permitted by applicable law, including M.G.L., c. 258, the System shall defend, save harmless and indemnify the Executive Director against any tort, professional liability claim or demand or other legal action, arising out of an alleged act or omission occurring in the performance of his/her duties under this Agreement provided that the Executive Director acted reasonably and in good faith. The System may compromise and settle any such claim or suit and will pay the amount of any settlement or judgment rendered thereon without recourse to the Executive Director to the extent required and/or permitted by applicable law including but not limited to M.G.L., c. 32 and M.G.L., c. 258. The Executive Director agrees that the System will not indemnify him for the intentional violation of the civil rights of any person. To the extent permitted by law, the System shall reimburse the Executive Director for reasonable attorneys' fees and costs incurred by the Executive Director in connection with claims or suits involving the Executive Director in his/her professional capacity hereunder where he is not represented by Board counsel. The Executive Director shall, as a condition of said indemnification and legal defense, cooperate fully with the System, its attorneys and agents in all matters relating to said claim. This Section shall survive any termination of this Agreement.

7. **Miscellaneous.**

1. **Entire Agreement.** This Agreement (including the attachments hereto) constitutes the entire agreement between the parties and supersedes any prior understandings or agreements between the parties, written or oral, to the extent they relate in any way to the subject matter hereof.
2. **No Assignment, Assumption.** This Agreement is personal to the Executive Director and shall not be assignable by the Executive Director.
3. **Termination of Agreement.** The termination of the Executive Director's employment, whether voluntary or otherwise, will terminate this Agreement, subject to Section 5 above.
4. **Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of the Agreement.
5. **Notices.** All notices or demands hereunder to the parties hereto shall be sufficient if made in writing in hand or deposited in the mail, postage prepaid, return receipt requested, and addressed as follows:

To The System:

Chair,
Essex Regional Retirement Board
491 Maple Street
Building 200, Suite 202
Danvers, MA 01923-4025

With Copy To:

Chair, ERRS Advisory Council
c/o Essex Regional Retirement Board
491 Maple Street
Building 200, Suite 202
Danvers, MA 01923-4025

To the Executive Director: Charles E. Kostro

Either party may change the address to which notice or demands hereunder shall be delivered to the other party by notice given at least ten (10) days before the effective date of such change of address.


6. **Governing Law.** This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Massachusetts. Any controversy or claim arising out of or relating to this employment agreement shall be settled by arbitration administered by the American Arbitration Association under its Employment Arbitration Rules and Mediation Procedures and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
7. **Amendments.** No amendment of any provision of this Agreement shall be valid unless in writing and signed by both the System and the Executive Director.
8. **Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation shall not affect the validity or enforceability of the remaining terms and provisions hereof.

Executed as a sealed instrument as of May 23, 2022

**ESSEX REGIONAL
RETIREMENT SYSTEM**

CHARLES E. KOSTRO

By the Board:

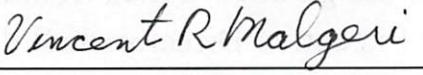

H. Joseph Maney, Chair


Charles E. Kostro


Susan J. Yaskell, Vice Chair


Andrew J. Sheehan, First Member


Kevin A. Merz, Second Member


Vincent R. Malgeri, Fifth Member

ATTACHMENT A

DUTIES OF THE EXECUTIVE DIRECTOR

SUMMARY OF DUTIES

The Executive Director shall operate as the Chief Executive Officer of the retirement system subject to direction of the retirement board. The Executive Director shall be responsible for the management of the day-to-day operations, including but not limited to the oversight of the financial operations of the retirement system, the investment of retirement system assets, the administration of retirement benefits, the procurement of supplies and services, and the supervision of employees, consultants and vendors. The Executive Director shall be responsible for ensuring that the retirement system operates pursuant to Massachusetts General Law Chapter 32, and the Rules and Regulations promulgated by the Public Employee Retirement Administration Commission (PERAC) and the policies established by the retirement board. The Executive Director is responsible for ensuring the performance of all functions necessary to the successful operation of the retirement system and the retirement board may amend, adjust or assign other duties from time to time that they may deem necessary. The Executive Director shall directly manage the retirement system's investment advisors, actuary, legal counsel and other professionals employed by the retirement system. The Executive Director shall directly manage employees of the retirement system as described herein and in accordance with all applicable laws, regulations and policies. The Executive Director shall be physically present at the retirement system offices as necessary to effectively perform these duties, unless the retirement board shall otherwise approve, or to the extent that the Executive Director shall find it necessary to attend meetings, conferences or other professional events. The Executive Director shall keep current by reading professional reports, communicating with professional associations, and attending such courses, institutes and seminars as may be necessary or appropriate for his professional development, subject to approval of the retirement board.

ESSENTIAL FUNCTIONS AND RESPONSIBILITIES

Board Meetings:

The Executive Director shall attend board meetings; ensure the proper posting of meeting notices, assemble all documents necessary for board meetings and shall prepare meeting packets for each board member. The Executive Director shall make such arrangements that are necessary to ensure the attendance at board meetings of legal counsel, investment managers, members and any other individuals that are required or necessary. The Executive Director shall be responsible to ensure that board meetings are properly recorded, and meeting minutes posted timely that all required hearings are held in accordance with the requirements of the Open Meeting Law and PERAC regulations and shall ensure the proper implementation of all votes of the board.

Accounting:

The Executive Director shall be responsible for the oversight of the financial management of the retirement system, including but not limited to the preparation and maintenance of all financial records, including the general ledger, cash receipts, cash disbursements, journal and trial balance. The Executive Director shall ensure that all financial reporting is done in accordance with the rules and regulations promulgated by PERAC and that Annual Statement shall be filed timely. The Executive Director shall ensure that benefit, vendor, tax and other payments are made timely and in accordance with all applicable laws, rules and regulations.

Retirement Administration:

The Executive Director shall ensure that all retirement system members are provided prompt, correct and appropriate retirement counseling and that all member annuity savings accounts are properly recorded, transferred or refunded as appropriate. The Executive Director shall be responsible to ensure that all member files are complete and proper documentation is received and recorded and that all statements are issued timely and in accordance with all applicable laws, rules and regulations. The Executive Director shall be responsible for the proper calculation of retirement benefits, shall ensure the

proper recording of retiree accounts, the timely payment of retirement and survivor benefits, and the timely issuance of tax statements.

Professional Relationships:

The Executive Director shall maintain open and professional relationships with all agencies, organizations, and entities that do business with the retirement system, including but not limited to PERAC, the Massachusetts Association of Contributory Retirement Systems (MACRS), the Pension Reserves Investment Management (PRIM) Board, the employer units within the retirement system, the news media and the general public.

Supervisory Responsibilities:

The Executive Director shall be responsible for the direct supervision of all employees of the retirement system and shall ensure compliance with applicable laws and regulations in the hiring, orienting, training, compensation, supervision, mentoring, discipline, and termination of staff. The Executive Director shall ensure the appropriate professional standards of performance and conduct of retirement system employees and shall promulgate appropriate employment policies upon consultation with legal counsel and subject to the approval of the retirement board. The Executive Director shall be responsible for making all hiring recommendations to the board, but no individual shall be hired unless by a vote of the retirement board, unless such authority shall be delegated to the Executive Director by majority vote of the Board. The Executive Director shall be responsible for all disciplinary actions contemplated for any employee of the retirement system including but not limited to verbal and written warnings, removal from the premises, paid leave and/or unpaid leave not to exceed thirty (30) calendar days. The Executive Director may recommend to the retirement board that an employee be placed on paid or unpaid leave in excess of thirty (30) calendar days, or may recommend the termination of an employee, but no employee shall be placed on paid or unpaid leave in excess of thirty (30) calendar days, nor shall any individual's employment be terminated, except upon a vote of the retirement board.

Education, Knowledge and Skills:

The Executive Director will have a Master's degree, or a Bachelor's degree and the knowledge typically gained through a Master's or professional degree program, in a relevant field and ten or more years of senior public sector management experience. The Executive Director should also be familiar with defined benefit plans and Massachusetts General Law, Chapter 32. In addition, the Executive Director should have significant executive management experience and a general understanding of the federal and state laws, rules and regulations that apply to a public body. The Executive Director must possess the ability to perform the duties described herein in a lawful and professional manner. The Executive Director should possess the knowledge and experience necessary to manage a governmental entity, including an understanding of the laws, rules, regulations and practices associated with the Open Meeting Law, the public records laws, the ethics and conflict of interest laws, the procurement laws, employment laws, and all other laws, rules and regulations that customarily apply to public bodies and, specifically to public retirement systems in Massachusetts.